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The AGRICULTURAL OUTLOOK DIGEST

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Sales of farm products in the first 8 months of 1954 brought farmers about 4 percent less than in the same months of 1953.

The estimate of \$17.4 billion for the first 2/3 of 1954 includes \$11 billion from livestock and products and \$6.4 billion from crops. Lower prices for milk, eggs and chickens accounted for most of the 2 percent decline in livestock receipts. Among the crops, farmers sold less wheat, cotton, tobacco and vegetables than in 1953.

Farmers' production expenses have been about the same as last year. With gross down, farmers' realized net income in the first half of 1954 was at an annual rate of about \$12.5 billion compared with \$13.4 billion for the first half of 1953.

ECONOMIC ACTIVITY: Inventories of manufactured goods are being worked off at a fairly rapid rate. With consumer and investment demand expected to hold up well, industrial production may go up more than seasonally later this year. In June-August, factory output ran about 9 percent below a year earlier.

The cut in inventories and a reduction in Government spending mainly account for the moderate reduction in economic activity from last summer. With output down, employment in non-farm industries in June-August was 1-1/2 percent below a year ago; the number out of work was up from 1.4 million to 3.3 million. The boom in construction work has continued.

Consumers have been receiving record income, after taxes, and continue to spend about a fourth of it for food. With supplies of farm products large, however, prices to farmers have been running a little below a year earlier.

FARM PROGRAM: The "total acreage allotment" provision for 1955 crops was eliminated by a recent announcement of USDA. Action was taken to offset effects of the drought and insure maximum benefits of Government programs.

Farmers who comply with allotments for individual crops are free to plant the rest of their land as they wish without loss of eligibility for price support, except that harvested acreage of commercial vegetables, potatoes and sweetpotatoes and dry edible beans must not exceed acreage planted for harvest in 1952 and 1953. By permitting greater output, these changes should help maintain farm income next year.

LIVESTOCK: Hog prices, now well below the highs of last spring, will trend seasonally downward until late October when the fall peak in slaughter is likely to be reached. Declines after that time probably will be small. Although below a year earlier, hog prices probably will be close to an average relation with corn prices.

Cattle slaughter is showing a smaller increase this fall than last winter and spring. Although grass cattle prices are likely to decline seasonally, strong demand for feeder cattle probably will hold them as high or higher than last fall. Comparatively stable prices are in prospect for fed cattle.

DAIRY: Milk production dropped below a year earlier in August for the first time in 2 years. Drought and lower prices were mainly responsible. With consumption of fluid milk up

slightly, sales of butter and cheese to the government in August were only about half those of last year. But sales of nonfat dry milk were nearly as large.

EGGS AND POULTRY: Farmers plan to market the record 1954 turkey crop earlier than usual. Number of birds produced is up 9 percent from 1953 but increase in pounds is smaller because of larger gain in output of small breeds than in heavy. Prices may strengthen seasonally as demand rises with cooler weather and the approach of holidays. Turkey prices to farmers in mid-August averaged 27.7 cents, 5 cents less than a year earlier.

Heavy production continues to hold egg and chicken prices well below a year ago.

OILSEEDS: Prospects for the record 1954 soybean crop improved from 304 million bushels on August 1 to 325 million on September 1. Soybean meal price declined sharply as harvest got under way.

Cottonseed production, reflecting the decline in cotton acreage, is expected to be down to 4,857,000 tons this year, lowest since 1950.

Use of peanuts for food and farm purposes this year probably will exceed production. The crop on August 1 was estimated at 1,168 million pounds, a fourth less than last year.

The flaxseed crop, indicated on September 1 at 42.2 million bushels, is largest since 1949 and well above estimated commercial use.

FEED: Seasonal declines in corn prices are expected the next 2 months. However, the reduction in the crop from 1953 will moderate the drop.

Total supply of feed concentrates is now estimated to be up 5 percent from last year, 9 percent from average.

WHEAT: Recent strength in wheat markets reflects small supply of "free" wheat, deterioration of crop in spring wheat areas of United States and Canada and unfavorable weather in Europe. Prices in last few weeks have been at highest levels of season.

FRUIT: Reduced production is expected to hold fresh prune and fall and winter pear prices above a year earlier this fall. Apple crop is up but strong demand from canners is expected to help sustain prices.

Production prospects were favorable on September 1 for 1954-55 citrus. Marketings of oranges and grapefruit in Florida will increase rapidly in October.

VEGETABLES: The fresh vegetable supply for early fall is estimated to be down 9 percent from last year and 5 percent from average. A drop in cabbage accounts for most of the decline. Snap beans, carrots, celery, cucumber, lettuce and tomatoes also are down. Production prospects indicate higher prices this fall than last.

Potato prices, though declining this fall, will probably stay well above a year earlier. The crop is down 5 percent and marketing agreements and orders covering probably more than half of the late crop, should result in more orderly selling than last year.

COTTON: A reduction of nearly 2 million bales in the cotton carry-over is in prospect. The crop deteriorated during August and was estimated at 11.7 million running bales as of September 1. Including carry-over and imports, the total 1954-55 supply is estimated at 21.5 million bales. With disappearance expected to total 13.7 million, stocks next August 1 would be 7.8 million compared with 9.6 million on August 1, 1954.